Maphumulo Local Muncipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Mayoral committee	
Mayor	Cllr Z.F. Khuzwayo-Dlamini
Councillors	Cllr C.Z. Ncalane (ANC Deputy Mayor)
	Cllr C.S. Shange (ANC- Speaker)
	Cllr P.N. Nxumalo(IFP - Exco Member)
	Cllr N.B. Hlongwa (ANC - Councillor)
	Cllr M.H. Khoza (ANC - Councillor)
	Cllr D.B. Luthuli (ANC - Councillor)
	Cllr T.P. Mchunu (IFP - Councillor)
	Cllr Z.G. Mthembu (IFP - Councillor)
	Cllr F.M. Ncalane (ANC - Councillor)
	Cllr NH Ngcobo(ANC - Councillor)
	Cllr S. Nyathikazi (IFP - Councillor)
	Cllr K.P. Ninela (IFP - Councillor)
	Cllr Z.W. Ninela (ANC Councillor)
	Cllr J.N. Ntuli (ANC- Councillor)
	Cllr N.S. Ntuli (ANC - Councillor)
	Cllr M.F. Nzuza (IFP - Councillor)
	Cllr S.Z.M. Nzuza (ANC - Councillor)
	Cllr N. Sithole (IFP - Councillor)
	Cllr K.M. Xhakaza (ANC - Councillor)
	Cllr T.J. Zungu (IFP - Councillor)
	Cllr J.M. Khathi (IFP- Councillor)
Grading of local authority	Two
Accounting Officer	C.S. Mhlongo (Acting) 01 July - 31 August 2017
	P.N. Mhlongo 01September 2017 - To Date
Chief Finance Officer (CFO)	G.S. Majola (Acting) 01 July 2017 - 30 September 2018
	N. Duma 01 October 2017- To Date
Business address	MR 711 LOT 152
	Maphumulo
	4470
Postal address	Private Bag X9205
	Maphumulo
	4470
Bankers	First National Bank
	250255
Auditors	Auditor General (South Africa)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Accounting Officer's Responsibilities and Approval

As an accounting officer I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or losses.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 4 to 53, which have been prepared on the going concern basis, were approved by the on 31 August 2018 and were signed on its behalf by:

Accounting Officer
Mr. P.N. Mhlongo (Municial Manager)

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	1 022 804	1 014 337
VAT receivable	3	4 818 524	1 332 556
Prepayments	4	618 776	386 463
Receivables from Non-Exchange Transations	5	18 231 539	14 235 844
Accrued Interest Investment		63 583	-
Cash and cash equivalents	6	22 056 993	32 588 258
		46 812 219	**49 557 458**
Non-Current Assets			
Investment property	7	10 971 208	11 508 361
Property, plant and equipment	8	219 402 226	196 039 398
Intangible assets	9	804 348	981 556
		231 177 782	**208 529 315**
Total Assets		**277 990 001**	**258 086 773**
Liabilities			
Current Liabilities			
Long Term Loan	10	849 138	2 010 917
Finance lease obligation	11	-	671 662
Payables from exchange transactions	12	26 414 779	22 298 167
Unspent conditional grants and receipts		12 591 044	16 705 150
Provisions	13	685 757	141 041
		40 540 718	**41 826 937**
Non-Current Liabilities			
Long Term Loan	10	-	850 106
Provisions	13	915 958	908 060
		915 958	**1 758 166**
Total Liabilities		**41 456 676**	**43 585 103**
Net Assets		**236 533 325**	**214 501 670**
Accumulated surplus		236 533 325	214 501 670

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	900	-
Rental of facilities and equipment	15	767 998	906 176
Interest charged on trade and other receivable	16	1 029 482	1 457 585
Licences and permits		456	600
Other income	17	655 761	145 494
Interest received - investment	18	2 863 820	3 196 930
Total revenue from exchange transactions		**5 318 417**	**5 706 785**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	15 401 260	12 658 191
Transfer revenue			
Government grants & subsidies	20	105 448 105	96 350 437
Total revenue from non-exchange transactions		**120 849 365**	**109 008 628**
Total revenue		**126 167 782**	**114 715 413**
Expenditure			
Employee related costs	22	(30 575 200)	(27 200 046)
Remuneration of councillors	23	(8 245 488)	(6 511 849)
Auditor's Remuneration	24	(1 396 296)	(1 097 624)
Depreciation and amortisation	25	(12 758 702)	(11 146 454)
Impairment loss/ Reversal of impairments	26	(762 035)	(453 645)
Finance costs	27	(246 942)	(804 887)
Debt Impairment	28	(1 912 850)	(639 794)
Repairs and Maintanance	29	(5 059 671)	(2 009 459)
Contracted services	30	(9 778 237)	(9 958 206)
General Expenses	31	(32 761 900)	(22 662 189)
Total expenditure		**(103 497 321)**	**(82 484 153)**
Operating surplus		**22 670 461**	**32 231 260**
Profit / Loss on disposal of assets		101 920	(145 952)
Surplus for the year		**22 772 381**	**32 085 308**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**182 416 363**	**182 416 363**
Changes in net assets		
Surplus for the year	32 085 308	32 085 308
Total changes	32 085 308	32 085 308
Opening balance as previously reported	214 156 267	214 156 267
Adjustments		
Prior year adjustments	(395 327)	(395 327)
Balance at 01 July 2017	**213 760 940**	**213 760 940**
Changes in net assets		
Surplus for the year	22 772 381	22 772 381
Total changes	22 772 381	22 772 381
Balance at 30 June 2018	**236 533 321**	**236 533 321**

* See Note 38

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		111 467 415	112 088 138
Interest income		2 863 820	3 196 929
		114 331 235	115 285 067
Payments			
Employee costs and councillors remuneration		(38 820 688)	(34 107 222)
Suppliers		(46 239 728)	(34 692 743)
Finance costs		(246 942)	(804 887)
		(85 307 358)	(69 604 852)
Net cash flows from operating activities	32	**29 023 877**	**45 680 215**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(36 941 532)	(27 963 481)
Proceeds from sale of property, plant and equipment	8	133 570	-
Purchase of other intangible assets	9	-	(867 597)
Increase/Decrease in Other Assets		(63 583)	-
Net cash flows from investing activities		**(36 871 545)**	**(28 831 078)**
Cash flows from financing activities			
Increase/ (Decrease) of Long term liabilities		(2 011 935)	(920 060)
Increase/ (Decrease) in Finance lease liability		(671 662)	(6 137 399)
Net cash flows from financing activities		**(2 683 597)**	**(7 057 459)**
Net increase/(decrease) in cash and cash equivalents		**(10 531 265)**	**9 791 678**
Cash and cash equivalents at the beginning of the year		32 588 258	22 796 580
Cash and cash equivalents at the end of the year	6	**22 056 993**	**32 588 258**

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	-	-	**-**	900	**900**	A
Rental of facilities and equipment	1 017 849	-	**1 017 849**	767 998	**(249 851)**	B
Interest received (trading)	1 920 000	-	**1 920 000**	1 029 482	**(890 518)**	C
Licences and permits	4 560	-	**4 560**	456	**(4 104)**	D
Other income	249 251	381 560	**630 811**	655 761	**24 950**	E
Interest received - investment	2 141 054	787 007	**2 928 061**	2 863 820	**(64 241)**	
Total revenue from exchange transactions	**5 332 714**	**1 168 567**	**6 501 281**	**5 318 417**	**(1 182 864)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 950 000	-	**13 950 000**	15 401 260	**1 451 260**	F
Transfer revenue						
Government grants & subsidies	116 525 000	5 000 000	**121 525 000**	105 448 105	**(16 076 895)**	G
Total revenue from non-exchange transactions	**130 475 000**	**5 000 000**	**135 475 000**	**120 849 365**	**(14 625 635)**	
Total revenue	**135 807 714**	**6 168 567**	**141 976 281**	**126 167 782**	**(15 808 499)**	
Expenditure						
Personnel	(31 149 000)	(1 056 000)	**(32 205 000)**	(30 575 200)	**1 629 800**	H
Remuneration of councillors	(7 157 695)	(672 048)	**(7 829 743)**	(8 245 488)	**(415 745)**	
Auditors Remuneration	(1 378 000)	(1 566 000)	**(2 944 000)**	(1 396 296)	**1 547 704**	I
Depreciation and amortisation	(14 190 390)	1 477 031	**(12 713 359)**	(12 758 702)	**(45 343)**	J
Impairment loss/ Reversal of impairments	-	-	**-**	(762 035)	**(762 035)**	
Finance costs	(243 767)	-	**(243 767)**	(246 942)	**(3 175)**	
Bad debts Impairement	(3 339 211)	2 874 981	**(464 230)**	(1 912 850)	**(1 448 620)**	K
Repairs and Maintenance	(3 950 000)	(1 541 000)	**(5 491 000)**	(5 057 609)	**433 391**	
Contracted Services	(5 056 000)	382 000	**(4 674 000)**	(9 778 237)	**(5 104 237)**	L
General Expenses	(35 112 000)	(3 553 000)	**(38 665 000)**	(32 763 962)	**5 901 038**	M
Total expenditure	**(101 576 063)**	**(3 654 036)**	**(105 230 099)**	**(103 497 321)**	**1 732 778**	
Operating surplus	**34 231 651**	**2 514 531**	**36 746 182**	**22 670 461**	**(14 075 721)**	
Loss on disposal of assets and liabilities	-	-	**-**	101 920	**101 920**	
Surplus before taxation	**34 231 651**	**2 514 531**	**36 746 182**	**22 772 381**	**(13 973 801)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**34 231 651**	**2 514 531**	**36 746 182**	**22 772 381**	**(13 973 801)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

A Service Charges
Service charges was not budgeted for in 2017/18 financial year, but the municipality resolve to start billing for rate collection at the end of February 2018.

B Rental of Facilities and Equipment
The variance of R890 518 is due to the fact that the municipality over budgeted for the rental debtors during the budget. This over budget is due to the fact that some rental debtors are not paying rates therefore the municipality is only billing the only ones that are paying .

C Interest Received (Trading)
The interest on outstanding debtors was over budgeted during the adjustment budget

D Licence and Permits
The municipality was over budgeted for the licence and permit, the budget was calculated based on the number of customers who supposed to pay their license fees but only few customers end up paying there licence fees.

E Other Income
Included in other income are tender documents sales which contribute a huge amount in other income account, as a result other income become over collected

F Property Rates
this account is made of property rates billings, and property rates was under budgeted for during the budgeting stage.

G Government Grants & Subsidies
the variance of R1 356 391 is due to the fact that R 5000 000 Small Town Taxi Rank grant that was budgeted is not full spent during this financial tear

H Employee Related Cost
the variance is due to the fact that some vacant post that was budgeted for was not fulfilled during 2016/17 financial year.

I Auditors Remuneration
This variance is due to the fact that budget for auditors remuneration was under budgeted.

J Depreciation and Amortisation
Depreciation and amortisation was over budget

K Bad Debts Impairment
Bad debts impairment was under budgeted.

L Contracted Services
Contracted services was under budgeted .

M General Expense
General expenses was under budgeted.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.This basis presumes that funds would be available to finance future operation, the realisation of assets and settlement of liabilities, Contingent Obligations and commitments would occur in the ordinary course of business.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighing all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation penalties arising from failure to fulfil it this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41
Depreciation useful life the municipality depreciate all depreciable assets on a straight line method of depreciation over the assigned useful operating life of an assets.

Post employment benefits municipality would recognises the cost of those benefits over the period of the employee’s services, consistently with accounting for other employee benefit.

Value in use cash generated assets should not be carried at amount higher than their service potential from use by the municipality unlike value in use the market value in use, a market value does not necessarily reflect the service potential of an assets.

Impairment loss should be recognised if it is considered probable that an asset is impaired i.e. if it is probable that the municipality will not recover the currying amount of the assets (probability criterion)

Interest effective, all arrears in respect of accounts for rates and municipal services bear interest after days after due date at a rate prescribed. Accounts for rates that are billed yearly will bear interest after 60 days from the invoice or statement date.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
- Land held for longterm capital appreciation rather than for shortterm sale in the ordinary course of operations:
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owneroccupied property or for shortterm sale in the ordinary course of operations, the land is regarded as held for capital appreciation);

Investment property is unrecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is subsequent at cost less accumulated depreciation and impairment of an assets over the useful life of an investment property which is 30 years. The impairment test of investment property are done on annual bases for every year

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

1.5 Reserves

The municipality maintains no Reserves with exception of the Accumulated Surplus.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	10-30 years
Plant and machinery	Straight line	10 - 55 years
Furniture and fixtures	Straight line	10-20 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	5-20years
IT Eqipment	Straight line	3-10 year
Infrastructure	Straight line	10-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Trade and Other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at yearend. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cashflows discounted at the effective interest rate, computed at initial recognition

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will Lflow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.8 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1.9 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long Term Loan	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long Term Loan	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

Accounting Policies

1.10 Statutory receivables (continued)

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

The defined benefit obligation, the related current cost and where applicable, pastservice, is determine by using the projected unit credit method. A portion of the actuarial gains and losses is recognized as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previopus reporting period exceed greater of.

10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
10% of the fair value of the plan assets.

The portion of the actuarial gains and losses to be recognized is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of the employees participating in the plan. Unvested pastservice costs are recognized as an expense in the Statement of Financial Performance.

1.12 Employee benefits (continued)

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contributionplans. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost tocompany package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A definedcontribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has nolegal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees thebenefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year theybecome payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially onthe projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump sumpayments or increased future contributions on a proportional basis to all participating municipalities.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure note to the extent that such amounts have been recorded in the financial statements.

Commitments disclosed in the notes to the financial amounts represent the aggregate amount of capital and current expenditure at the reporting date

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest earned on investments

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

1.15 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Accounting Policies

1.18 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Accounting Policies

1.21 Budget information (continued)

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 16.

Comparative information is not required.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued:

Standard or Interpretation

GRAP 20: Related parties

Accounting Policies

1.24 Standards, amendments to standards and interpretations issued but not yet effective (continued)

GRAP 32: Service Concession Arrangements: Grantor

GRAP 105: Transfers of functions between entities under common control

GRAP 106: Transfers of functions between entities not under common control

GRAP 107: Mergers

GRAP 108: Statutory Receivables

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. Receivables from exchange transactions

Trade debtors - Rentals	2 025 683	1 467 194
Refuse	1 031	-
Rental Debtors Straght line	316 749	316 749
Sundry Debtors	458 155	458 155
Provision for Doubtful debts	(1 778 814)	(1 227 761)
	1 022 804	**1 014 337**

Trade and other receivables past due but not impaired

Trade and other receivables due less than 5 months are not considered to be impaired. Only trade debtors (rentals) which are from 5 to 6 months due are considered to be impaired and rental debtors which are less than 5 months due are not considered to be impaired. Rental debtors due but not impaired as at 30 June 2018, R46 209 (2017: R 230 980) (these amounts is made of the different between rental debtors and the Debts impairement).

The ageing of amounts due but not impaired is as follows:

Current	67 749	66 223
1 months past due	(131 020)	65 743
2 months past due	52 152	61 761
3 months past due	33 192	20 267
4 months past due	24 136	16 987
	46 209	230 980

Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of R 1 825 023.71 (2017: R 1 458 740) were impaired and provided for.

The amount of the provision was R1 778 814.38 as of 30 June 2018 (2017: R1 1 227 761) .

The ageing of these provision is as follows:

5 to 6 months	13 737	15 121
Over 6 months	1 765 077	1 212 640
	1 778 814	1 227 761

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1 227 761)	(1 181 459)
Provision for impairment	(551 053)	(46 302)
	(1 778 814)	**(1 227 761)**

No receivables have been pledged as security.

3. VAT receivable

VAT	4 818 524	1 332 556

VAT is payable on the receipt basis. VAT is paid over to SARS only once payment is received from debtors

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Prepayments

AON Building Insurance Policy	143 019	386 463
SALGA Membership Fee	475 000	-
SIGFARO Membership Fee	757	-
	618 776	**386 463**

5. Receivables from non-exchange transactions

Gross balances		
Rates	27 648 370	22 290 879
Less: Allowance for impairment		
Rates	(9 416 831)	(8 055 034)
Net balance		
Rates	18 231 539	14 235 845

Trade and Other Receivables from Non Exchange past due but not impaired

Consumer Debtors are divided into three groups of debtors which are Government debtors, Commercial debtors and Other debtors (Ingonyama Trust). Only the Commercial debtors which are due from 4 to 6 months are considered to be impaired and commercial debtors wich are due for less than 3 months are not considerd to be impaired. At 30 June 2018, R15 618 056 (2017: R 14 235 844) were past due but not impaired

Balance of Consumer Debtors due but not impaired		
Commercial Debtors	411 277	570 417
Government Debtors	6 562 075	6 895 064
Other Debtors	8 644 704	6 770 363
	15 618 056	**14 235 844**

Trade and Other Receivables past due but not impaired		
Current (0 -30 days)	383 538	699 568
31 - 60 days	123 077	688 696
61 - 90 days	142 627	610 601
91 - 120 days	216 898	543 472
121 - 365 days	14 751 917	11 693 507
> 365 days	2 613 482	-
	18 231 539	**14 235 844**

Commercial Debtors		
Current (0 -30 days)	212 591	155 051
31 - 60 days	36 743	153 022
61 - 90 days	56 293	150 990
91 - 120 days	105 650	111 354
	411 277	**570 417**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Receivables from non-exchange transactions (continued)

Government Debtors		
Current (0 -30 days)	-	156 140
31 - 60 days	-	152 404
61 - 90 days	-	116 070
91 - 120 days	-	121 131
121 - 365 days	6 562 075	6 349 319
	6 562 075	**6 895 064**

Other Debtors (Ingonyama Trust)		
Current (0 -30 days)	170 947	388 377
31 - 60 days	86 333	383 270
61 - 90 days	86 333	343 541
91 - 120 days	111 248	310 986
121 - 365 days	8 189 842	5 363 234
	8 644 703	**6 789 408**

The ageing of the provision is as follows		
91 - 120 days	105 040	149 394
121 - 365 days	107 989	148 597
> 365 days	9 203 802	7 757 043
	9 416 831	**8 055 034**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(8 055 034)	(7 461 542)
Contributions to allowance	(1 361 797)	(593 492)
	(9 416 831)	**(8 055 034)**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 236	1 216
Bank balances	3 105 558	2 643 969
Short-term Investments	18 945 199	29 943 073
	22 056 993	**32 588 258**

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB - Main - 620-238-689-98	(57 957)	(416 874)	-	(57 957)	(559 937)	-
FNB - Investment Account - 710-044-3426-67	438 984	408 732	-	438 984	408 732	-
FNB BANK - AInvestment Account - 741-056-039-86	2 373 690	2 217 492	-	2 373 690	2 217 492	-
FNB Investment Account 623-467-553-01	23 873	22 437	-	23 873	22 437	-
ABSA BANK - Current - 405-610-286-6	3 163 549	3 203 906	-	3 163 549	3 203 906	-
ABSA BANK - Call Account - 915-984-753-2	84 032	79 474	-	84 032	79 474	-
Standard BANK - 30 Days Account - 268-693-404	3 316 544	6 871 771	-	3 316 544	6 871 771	-
Nedbank - Investment Account - 405-352-327-9	876 293	65 425	-	876 293	65 425	-
Nedbank - Investment Account - 309-554-919-995	69 101	819 563	-	69 101	819 563	-
Nedbank - Investment Account - 398-012-179-996	553 154	518 568	-	553 154	518 568	-
ABSA BANK - Investment Account - 908-497-343-4	11 088 108	-	-	11 088 108	-	-
ABSA BANK - Investment Account - 929-323-815-4	-	10 375 312	-	-	10 375 312	-
FNB BANK - AInvestment Account - 625-756-885-13	121 421	2 923 605	-	121 421	2 923 605	-
FNB BANK - AInvestment Account - 716-246-118-46	-	5 640 694	-	-	5 640 694	-
FNB BANK - AInvestment Account - 622-075-397-95	(34)	-	-	(34)	-	-
Total	**22 050 758**	**32 730 105**	**-**	**22 050 758**	**32 587 042**	**-**

7. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	16 114 609	(5 143 401)	10 971 208	16 114 609	(4 606 248)	11 508 361

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	11 508 361	(537 153)	10 971 208

7. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	12 046 772	(538 411)	11 508 361

	2018	2017
Fair value of investment properties	12 500 000	12 400 000

Fair Value measurements

The investment Property was values on the 30th of June2018 and the inspection of property was undertaken in August 2018, this valuation has been undertaken in accordance with Internation Valuation Standards by BPG Mass Appraisals (Pty) Ltd. The Property legal description is Erf 358 and 359 Maphumulo ERF 1 Township which is 5 733 meter squere. The market value of property is R12 500 000 (R200 000 land value and R12 300 000 building value).

	2018	2017
Income Generated from investment property	737 715	1 019 125
Total expenditure incurred relates to Investment property	(378 016)	(392 610)
	359 699	**626 515**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There were no assets pledged as security for the year ended 30 June 2018

8. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land & Buildings	88 102 728	(13 043 312)	75 059 416	81 504 385	(9 660 087)	71 844 298
Plant and machinery	21 284 324	(6 332 239)	14 952 085	21 197 424	(4 746 049)	16 451 375
Furniture and fixtures	4 779 350	(2 921 045)	1 858 305	4 727 449	(2 430 584)	2 296 865
Motor vehicles	5 003 692	(2 425 746)	2 577 946	4 230 885	(1 544 580)	2 686 305
Office equipment	2 719 941	(1 946 868)	773 073	2 614 338	(1 306 938)	1 307 400
IT equipment	1 743 398	(913 961)	829 437	1 283 900	(571 836)	712 064
Infrastructure	107 706 211	(38 416 095)	69 290 116	91 107 282	(32 369 073)	58 738 209
Capital work in progress	54 061 848	-	54 061 848	42 002 882	-	42 002 882
Total	**285 401 492**	**(65 999 266)**	**219 402 226**	**248 668 545**	**(52 629 147)**	**196 039 398**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land & Buildings	71 844 298	785 669	-	5 812 644	-	(2 893 986)	(481 412)	75 067 213
Plant and machinery	16 451 375	86 899	-	-	-	(1 415 084)	(154 090)	14 969 100
Furniture and fixtures	2 296 865	53 400	-	-	-	(473 206)	(18 754)	1 858 305
Motor vehicles	2 686 305	936 512	(1 716)	-	-	(588 763)	-	3 032 338
Office equipment	1 307 400	105 604	-	-	-	(352 247)	(62 113)	998 644
IT equipment	712 064	502 909	(29 934)	-	-	(275 471)	(45 664)	863 904
Infrastructure	58 738 209	-	-	16 598 929	-	(6 047 022)	-	69 290 116
Capital Work in Progress	42 002 882	34 470 539	-	-	(22 411 573)	-	-	54 061 848
	196 039 398	**36 941 532**	**(31 650)**	**22 411 573**	**(22 411 573)**	**(12 045 779)**	**(762 033)**	**220 141 468**

work - In - Progress	Opening Balance	Additions	Completed Projects	Closing Balance
Buildings	27 135 533	6 222 146	(10 846 725)	22 510 954
Electrification	1 776 972	-	-	1 776 972
Infrastructure	13 090 377	28 248 393	(11 564 848)	29 773 922
	42 002 882	**34 470 539**	**(22 411 573)**	**54 061 848**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	79 563 827	21 810 221	-	25 682 747	(25 682 747)	(1 940 575)	(453 645)	98 979 828
Plant and machinery	17 635 752	198 700	-	-	-	(1 383 077)	-	16 451 375
Furniture and fixtures	2 612 897	216 860	(55 150)	-	-	(477 742)	-	2 296 865
Motor vehicles	620 589	2 233 205	-	-	-	(167 489)	-	2 686 305
Office equipment	1 555 217	42 590	(6 269)	-	-	(284 138)	-	1 307 400
IT equipment	633 035	308 974	(15 119)	-	-	(214 826)	-	712 064
Infrastructure	76 451 946	3 152 934	-	-	-	(5 999 322)	-	73 605 558
	179 073 263	**27 963 484**	**(76 538)**	**25 682 747**	**(25 682 747)**	**(10 467 169)**	**(453 645)**	**196 039 395**

Working - In- Progress	Openning Balance	Additions	Completed Projects	Closing Balance
Buildings	31 587 775	21 230 505	(25 682 747)	27 135 533
Electrification	1 776 972	-	-	1 776 972
Infrastructure	9 937 443	3 152 934	-	13 090 377
	43 302 190	**24 383 439**	**(25 682 747)**	**42 002 882**

Pledged as security

There were no assets pledged as security for the year ended 30 June 2018:

Assets subject to finance lease (Net carrying amount)

Plant and machinery	-	11 926 400

An assessment of the useful lives of property plant and equipment was conducted in the current reporting period. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 133 927	(329 579)	804 348	1 133 927	(152 371)	981 556

Reconciliation of intangible assets - 2018

	Opening balance	**Amortisation**	**Total**
Computer software, other	981 556	(177 208)	804 348

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	324 250	867 597	(69 416)	(140 875)	981 556

10. Long Term Borrowings

	2018	2017
Designated at fair value		
Bank loan - FNB	849 138	2 861 023

The bank loan was advanced by First National Bank for a period of 10 years commencing on 12 December 2008. An installment of R450 577.10 is payable quarterly in arrears.

The applicable interest rate is 8.8% fixed base rate and 3.9% margin rate

	2018	2017
Non-current liabilities		
Designated at fair value	-	850 106
Current liabilities		
Designated at fair value	849 138	2 010 917

11. Finance lease obligation

	2018	2017
Minimum lease payments due		
- within one year	-	680 229
	-	680 229
less: future finance charges	-	(8 567)
Present value of minimum lease payments	**-**	**671 662**
Present value of minimum lease payments due		
- within one year	-	671 662

They is no assets under finance lease at the end of this financial year

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Payables from exchange transactions

Retention and Gaurantees	13 550 477	12 072 654
Trade Payables	6 086 027	4 699 625
Accrued Leave Pay	2 640 605	2 441 940
Accrued Trade Payables	3 155 913	1 622 269
Accrued Bonuses	842 531	798 512
Other payables	139 226	551 722
Other debtors (PAYE Control)	-	110 520
Indemnity	-	925
	26 414 779	**22 298 167**

13. Provisions

Non-current liabilities	915 958	908 060
Current liabilities	685 757	141 041
	1 601 715	**1 049 101**

Non-Current Liabilities

Noncurrent liabilities are made of Long service award provision of R915 958 .

Current Liabilities

Current liabilities includes the Long service award provision of R 138 210 and Provision for Salary to Former Municipal Manager R547 546.53.

The key assumptions used in valuation, with prior years assumptions shown the summery below .

Discount Rate

9,18%
General Salary Inflation (long term)

5,73%
Net effective Discount Rate

9,18%
General Salary Inflation (long term)
2.30%
Net effective Discount Rate

The key assumptions used in valuation, with prior years assumptions shown for comparison, are summerised below

14. Service charges

Service charges	900	-

15. Rental of facilities and equipment

Facilities and equipment		
Rental	748 403	899 407
Hall Hire	19 595	6 759
	767 998	**906 166**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Interest charged on trade and other receivables

Interest On Consumer Debtors	894 066	1 243 367
Interest on Rental Debtors	135 416	241 218
	1 029 482	**1 484 585**

17. Other income

Tender Document Sale	193 703	61 207
Sundry income	457 236	79 913
Admin Fee and Commission	4 822	4 374
	655 761	**145 494**

18. Interest Received - Investments

Interest revenue		
Other financial assets (Investments)	2 206 976	2 416 315
Bank (Main and Current)	656 844	780 614
	2 863 820	**3 196 929**

19. Property rates

Rates

State	20 488 650	22 984 554
Less: Income forgone	(5 087 390)	(10 326 363)
	15 401 260	**12 658 191**

Property rates levied in terms of the Local Governments : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. Randage applicable to all properties equal to 0.05 as approved by the council. Rebates amount to 30% for all categories except for Ingonyama Trust Board which receives a 50% rebate. The current valuation roll was implemented on 1 July 2014.

The summary of valuation property ia as follows

Property Group	No of Property	Market Value
Residential	64	22 487 000
Commercial	32	40 853 000
Industrial	1	800 000
Agricultural	4	850 000
Agricultural (Rural Communal)	27	108 602 000
Institutional	142	256 692 000
Specialized Property	14	53 080 000
Public Service Infrastructure	1	720 000
Municipal Property	312	26 069 000
	597	**510 153 000**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Government grants and subsidies

Operating grants		
Equitable share	75 259 000	71 404 000
Financial Management Grant (FMG)	1 900 000	1 877 000
Sport Grant	393 496	145 763
Expanded Public Works Program (EPWP)	1 553 712	1 236 288
	79 106 208	**74 663 051**
Capital grants		
Intergrated National Eletrification Program (INEP)	-	386 387
Municipal Infrastructure Grant (MIG)	22 646 000	21 301 000
Small Town Rehabilitation Grant	3 695 897	-
	26 341 897	**21 687 387**
	105 448 105	**96 350 438**

Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of :

Small Town Rehabilitation Grant	4 997 837	8 693 734
Corridor Development	7 493 207	7 493 207
Sport Grant	-	393 496
Titanium Mining	100 000	100 000
Expandend Public Works Program (EPWP)	-	24 713
	12 591 044	**16 705 150**

Sports Grant

Balance unspent at beginning of year	393 496	207 259
Current-year receipts	-	332 000
Conditions met - transferred to revenue	(393 496)	(145 763)
	-	**393 496**

Small Town Rehabilitation Grant

Balance unspent at beginning of year	8 693 734	8 693 734
Conditions met - transferred to revenue	(3 695 897)	-
	4 997 837	**8 693 734**

Corridor Development Grant

Balance unspent at beginning of year	7 493 207	7 493 207

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	24 712	-
Current-year receipts	1 529 000	1 261 000
Conditions met - transferred to revenue	(1 553 712)	(1 236 288)
	-	**24 712**

Municipal Infrastructure Grant (MIG)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Government grants and subsidies (continued)

Current-year receipts	22 646 000	21 301 000
Conditions met - transferred to revenue	(22 646 000)	(21 301 000)
	-	-

Titanium Mining

Balance unspent at beginning of year	100 000	100 000

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	52 000
Current-year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 900 000)	(1 877 000)
	-	-

21. Revenue

Government grants & subsidies	105 448 105	96 350 437
Property rates	15 401 260	12 658 191
Interest received investment	2 863 820	3 196 930
Interest charged on trade and other receivables	1 029 482	1 457 585
Rental of facilities and equipment	7 678 998	906 176
Other income	655 761	145 494
Licences and permits	456	600
Service Charges	900	-
	133 078 782	**114 715 413**

The amount included in other revenue arising from exchanges of goods or services are as follows:

Interest received investment	2 863 820	3 196 930
Interest charged on trade and other receivables	1 029 482	1 457 585
Rental of facilities and equipment	767 998	906 176
Other income	655 761	145 494
Service Charges	900	-
Licences and permits	456	600
	5 318 417	**5 706 785**

The amount included in other revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	15 401 260	12 658 191
Transfers		
Government grants & subsidies	105 448 105	96 350 437
	120 849 365	**109 008 628**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Employee related costs

Basic	23 191 512	19 816 569
Bonus	1 445 164	1 317 831
Defined contribution plans	2 124 301	2 235 568
Car allowance	1 632 120	1 221 462
Medical aid - company contributions	1 134 008	1 089 147
Leave Accrued	429 303	759 611
SDL	200 856	218 538
Housing benefits and allowances	79 878	190 012
UIF	170 256	141 789
Long-service awards	5 067	137 040
Cellphone Allowance	110 470	47 191
Membership Fees	52 265	25 288
	30 575 200	**27 200 046**

Remuneration of Municipal Mananger

Annual Remuneration	572 345	86 430
Car Allowance	245 248	-
Acting allowance	18 207	-
	835 800	**86 430**

Acting allowance was paid to Mr. CS Mhlongo as a acting municipal manager from July -August 2017 and R 817 593 is a remuneration paid to municipal mananger Mr. P.N Mhlongo as from September 2017 when he was appointed as municipal mananger.

Remuneration of Chief Finance Officer

Annual Remuneration	371 314	110 975
Car Allowance	159 135	-
Acting allowance	28 715	-
	559 164	**110 975**

Acting allowance was paid to Mr. G.S. Majola as a acting CFO from July -October 2017 and R 530 449 is a remuneration paid to CFO Mr. N. Duma as from October 2017 when he was appointed as Chief Finanacial Officer.

Remuneration of Planing and Local Economic Development directors

Annual Remuneration	-	642 314
Car Allowance	-	207 284
Contributions to UIF, Medical and Pension Funds	-	9 445
	-	**859 043**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Employee related costs (continued)

Remuneration of Technical and Housing directors

Annual Remuneration	-	480 236
Car Allowance	-	155 538
Contributions to UIF, Medical and Pension Funds	-	7 513
	-	**643 287**

Corporate and Human Resources (Corporate Services)

Annual Remuneration	422 858	18 957
Car Allowance	181 225	-
Acting Allowance	11 409	-
	615 492	**18 957**

Acting allowance was paid to Miss T sithole a as a acting Director Corporate Services from July -August 2017 and R 604 083 is a remuneration paid to Director Corporate Services Mr.T. Khuluse as from September 2017 when he was appointed as e Director Corporate Services

23. Remuneration of Councillors

Mayor	814 638	686 012
Deputy Mayor	371 471	326 651
Mayoral Committee Members	377 185	337 608
Speaker	379 776	329 264
Councillors	4 280 339	3 516 326
Cellphone Allowance	831 478	347 800
Travel Allowance	1 190 601	968 188
	8 245 488	**6 511 849**

In-kind benefits

The Mayor is a full time councillor and she received secretarial services and the use of a municipal vehicle, both were paid for by the municipality.

The Deputy Mayor and Speaker received the use of municipal vehicle paid for by the municipality.

The Mayor has two fulltime bodyguards paid for by the municipality.

24. Auditors Remuneration

Auditors Remuneration	1 396 296	1 097 624

25. Depreciation and amortisation

Property, plant and equipment	12 044 341	10 768 414
Investment property	537 153	538 411
Intangible assets	177 208	140 875
	12 758 702	**11 447 700**

26. Impairment of assets

Impairments		
Property, plant and equipment	762 035	453 645

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Finance costs

Other interest paid	246 942	804 887

28. Debt impairment

Contributions to debt impairment provision - Rental debtors	551 053	46 302
Contribution to debt impairment provision - Consumer Debtors	1 361 796	593 492
	1 912 849	**639 794**

29. Repairs and Maintenance

Sport Field	50 650	33 390
Vehicles	1 166 192	1 090 239
Roads	537 164	327 950
Furniture and Equipment	25 980	45 858
Computer Equipment	-	1 410
Plant and Machinery	1 895 320	-
Buildings	1 326 262	510 612
Office Equipment	58 103	-
	5 059 671	**2 009 459**

30. Contracted services

Information Technology Services	593 385	610 716
Other Contractors	9 184 852	9 347 490
	9 778 237	**9 958 206**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. General expenses

Advertising and Communications	3 564 501	446 823
Bank charges	235 155	82 008
Entertainment	352 205	126 785
Interest and penalties	209 818	47 767
Healthy and Safety	111 738	-
Hire Charges	872 509	2 908 290
Disaster Management Plan Review	704 538	765 975
Community development and training	6 612 418	5 335 397
Conferences and seminars	194 000	613 142
Medical expenses	29 343	24 750
Fuel and oil	1 812 783	2 032 072
Postage and courier	2 912	523
Printing and stationery	461 241	193 105
Bursaries	791 980	753 269
Subscriptions and membership fees	513 483	667 558
Telephone and fax	1 340 318	1 066 981
Training	597 489	257 179
Travel - local	2 952 657	1 354 792
Electricity	1 901 415	1 169 097
Uniforms	362 539	384 756
Tourism development	128 256	784 853
IDP Review	2 045 410	1 113 088
Audit Committee	192 450	124 221
Transfers with in Municipality	1 167 500	-
Licenses	1 990 486	607 149
Free Basic Services	486 148	466 454
LED Projects	846 897	152 646
Valuation Roll	-	68 768
Billing charges	107 313	106 170
Electrification	1 480 953	1
Other expenses	693 445	1 008 570
	32 761 900	**22 662 189**

32. Cash generated from operations

Surplus	22 772 381	32 085 308
Adjustments for:		
Depreciation and amortisation	12 758 702	11 146 454
Profit on disposal of assets and liabilities	(101 920)	145 952
Impairment deficit	762 035	453 645
Debt impairment	1 912 850	639 794
Movements in provisions	552 614	(5 355 458)
Changes in working capital:		
Receivables from exchange transactions	(8 467)	628 769
Consumer debtors	(5 908 544)	(3 058 169)
Prepayments	(232 313)	309 713
Payables from exchange transactions	4 116 612	6 248 274
VAT	(3 485 968)	2 276 984
Unspent conditional grants and receipts	(4 114 105)	158 949
	29 023 877	**45 680 215**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	53 214 321	19 191 934
• Investment property	8 615 315	2 624 645
	61 829 636	**21 816 579**

Total capital commitments		
Already contracted for but not provided for	61 829 636	21 816 579

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	204 170

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

34. Fruitless and wasteful expenditure

Opening Balance	56 304	56 304
Fruitless and wasteful expenditure	761 071	-
	817 375	**56 304**

Reason for Fruitless and wasteful Expenditure
Included in the fruitless and wasteful expenditure is R 204 710 interest charged by SARS due to the late submision of PAYE Returns, R406 Iinterest charged by FNB main for bank overdraft, R330 913 is amount mistakenly paid to incorrect supplier and R225 041 is mistakenly duplicate.

Fruitless and wasteful expenditure are not yet recoverable at the year end and are currently being investigated by the council which will determine recoverability and any criminal or disciplinary steps to be taken.

35. Irregular expenditure

Opening balance	29 040 685	89 954 780
Add: Irregular Expenditure - current year	214 501	1 973 000
Add: Irregular expenditure incured in current year but identified in prior year	119 439	5 057 503
Less: Amounts wretten-off	-	(67 944 598)
	29 374 625	**29 040 685**

Summary of cases for 2017/18 and 2016/17

Current year	19	-
Prior years	13	19
Total number of cases	**32**	**19**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Irregular expenditure (continued)

Details of irregular expenditure – current year

Non compliance with section 116(2)(a) of the Municipal Finance Management Act, Act no. 56 of 2003 state that the accounting officer of the municipality mus take all the reasonable steps to ensure that a contract or agreement procure trough supply chain management policy of the municipality or municipal entity is properly enforced.	-	214 501
The municipality have not complied with the Preferential Procurement regulation 2011 wich states that "A two stage tendering process may be followed, where the first stage involve functionality and minimum treshold for local production and contect and the secon stage price and B BBEE wth the possibility of price negotiations only with the short listed tenders	-	119 439
		333 940

Irregular expenditure written off by council has not yet been condoned by National Treasury. We are still awaiting this by National Treasury. This, therefore means that our total irregular expenditure for the year is R29 945 303.

Irregular expenditure are not yet recoverable at the year end and are currently being investigated by the council which will determine recoverability and any criminal or disciplinary steps to be taken.

36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

goods and services of R690 118 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

37. Related parties

Related party transactions

Rent Income from Related Parties		
Maphumulo Independent Eletroral council (IEC)	-	48 586

38. Prior period errors

During the year the following error was identified in the prior year annual financial statement

Study Assistance .

During 2016/17 financial year municipality had paid study assistance to municipal employees who applied to further their studies, then municipality classified the study assistance as loan to employee (Staff Debtor) under current assets. During 2017/18 financial year the municipality revise this classification of study assisstance and the conclusion is that, study assisstance is not a debtor immidiatrly received the stusy assistance but is a debtor only of the employee faid to meet contractual obligation as per study assistance. therefore the municipality have to correct prior period error.

38. Prior period errors (continued)

Property, Plant and Equipment

At the end of the financial reporting period a reassessment of the useful lives of assets was done. There were items of Property Plant and Equipment which had been fully depreciated but were reassessed and usefullife extended. The carrying value was adjusted as a prior period error in order to depreciate the assets for the reassessed useful life. The adjustment resulted in a decrease on the 2016/17 accumulated depreciation on Property Plant and Equipment by R739 230.46 thereby increasing the carrying amount by the same amount. of this amount R437 985.77 relate to depreciation for periods prior to 2016/17 and R301 244.70 relate to 2016/17 depreciation

The correction of the error results in the following adjustments:

Statement of Financial Position and Statement of Financial perfomance	Prior Period 2016/17	Change in Income Statement	Change in Balance Sheet	Restated 2017/18
Study assistance expenses	-	395 327	-	395 327
Staff Debtors	395 327	-	(395 327)	-
Decrease in Accumulated depreciation Land	(7 796)	-	7 796	7 796
Decrease in Accummulated Depreciation Plant and Machinery	(17 015)	-	17 015	17 015
Decrease in Accummulated Depreciation Motor Vehicle	(454 382)	-	454 382	454 382
Decrease in Accumulated Depreciation Office Equipment	(225 572)	-	225 571	225 571
Decrease in Accummulated Depreciation IT Equipment	(34 466)	-	34 466	34 466
Reduction in Depreciation for 2017	301 245	-	301 245	301 245
Decrease in 2016/17 Depreciation	301 245	301 245	-	(301 245)
	258 586	**696 572**	**645 148**	**1 134 557**

39. Employee benefit obligations

Multi Employer Retirement Fund

All fulltime employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes

All of these aforementioned funds are multiemployer plans and are subject to either a triannual, biannual or annual actuarial valuation, details which are provided below

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers..

It is therefore seen that each fund operates as a single entity and is not divided into subfunds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions..

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

Defined Benefit Plan

Retirement Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els and Associates.

The interim actuarial valuation performed as at 30 June 2018 revealed that the fund had a shortfall of R 251,2 (31 March 2011: shortfall of R 382,3) million, with a funding level of 90,6% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 30 June 2018. However, the basic contribution payable is 4,72% less than the required contribution rate

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority. This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the sucharge be increased to 17.5% and extended by a further 3 years to 30 June 2019. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34.22% with effect from 1 July 2012 for a period of 8 year

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund

Figures in Rand	2018	2017

39. Employee benefit obligations (continued)

Superannuation Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 30 June 2018 One Pangaea Exertise and Solutions.

The interim actuarial valuation performed as at 30 June 2018 revealed that the fund had a shortfall of R 270,0 (31 March 2011: shortfall of R 549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2013: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2013 7,0%)of pensionable salaries. It was expected that the deficit will be fully funded by 2017

This surcharge is payable until 30 June 2017. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the sucharge be increased to 17,5% and extended by a further 3 years to 30 June 2019. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

Figures in Rand	2018	2017

39. Employee benefit obligations (continued)

Post retirement gratuity plan

A longservice awards is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2016 may become entitled to in future, based on an actuarial valuation performed at that date

The most recent actuarial valuations of plan assets and the present value of the unfounded defined benefit obligation were carried out as at 30 June 2017 be the ARCH Actuaries Consulting a member of the Actuarial Society of South Africa

A summary of the actuarial valuation results is as follows:

Key financial assumptions used for the purposes of the actuarial valuation

Discount Rate	9,18%
General Salary Inflation (long term)	6,73%
Net effective Discount Rate	2,30%

	2018	2017
Unfunded Accrued Liability		
Current Portion of Liability	138 210	141 041
Non Current Portion of liability	915 958	908 060
	1 054 168	**1 049 101**

	2018	2017
Current service and interest costs		
Current service cost	138 210	141 041
Interest cost	87 410	78 910
	225 620	**219 951**

The Currentservice cost reflects the additional liability that is expected to accrue in respect of inservice members' service over the corresponding year.

The interest cost represents the accrual of interest on the accrued liability allowing for benefit vesting's, over the corresponding year. This arises because all future Long Service Award benefits are one year closer to payment.

Defined Contribution Plan

Municipal Councillors Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R 1 483,786 381 (30 June 2010: R 1 123,672 020) million. The contribution rate paid by the members (13.75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future. As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund

The scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els and Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R 1 288,3 (31 March 2011: R 1056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

39. Employee benefit obligations (continued)

None of the above mentioned plans are State Plans.

40. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 022 804	1 022 804
Receivable from Non-Exchange Transation	-	18 231 539	18 231 539
Cash and cash equivalents	22 056 993	-	22 056 993
	22 056 993	**19 254 343**	**41 311 336**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	849 138	849 138
Trade and other payables from exchange transactions	-	-
	849 138	**849 138**

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1 729 180	1 729 180
Consumer debtors	-	14 235 844	14 235 844
Cash and cash equivalents	32 588 258	-	32 588 258
	32 588 258	**15 965 024**	**48 553 282**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2 861 023	2 861 023

41. Contingencies

Case 1.

Litigation is in the process between the municipality and Only If Management CC under the case number 10108/2013 . Plaintiff claims to have been appointed by the Municipality to do refuse removal within the Maphumulo area of jurisdiction. The claim is for R8 609 993.32

Case 2

Maphumulo Municipality / Sibgem Management & Consulting. Plaintiff claims to have been appointed by the Municipality to install electricity in wards 3, 4 and 8. The claim is for R1 864 497.11.

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42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Rhe municipality would be able to pay all obligation due within 12 months as listed in the face of the balance sheet..

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

43. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of 236 533 321 and that the municipality's total lassets exceed its liabilities by 236 533 325.

The municipality's current liabilities are secured against the municipal current assets as it can be seen that current assets are greater than current liabilities and there is a surplus of R6 271 501 (R46 812 219current assets less R40 540 718 current liabilities). This shows a decrease compared to last financial year where was asurplus of R8 125 849.
.
Included in the current liabilities are unspent conditional grants of R12 591 044 that always need to be cash backed. included in the unspent grants amount is R12 491 044 from COGTA received long time ago.Current Assets includes VAT receivables of R4 818 524 which would be received from SARS during next financial year, Consumer debtors include Government debtors of R6 745 925 which there is no doubt that amount would be receive during next financial year.

The going concern of the municipality might be negatively effected should any or all of its debtors fail to settle their accounts and the municipality end up relying on its cash and cash equivalents of R22 056 993 to settle the current liability of R40 540 718.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	475 000	500 000

There is no adjustment event after reporting date.

Event After Reporting Date

Audit fees

They is no audit fee amount were outstanding at the end of the year

PAYE and UIF

Amount paid - current year	2 576 000	2 377 356

There is no outstanding PAYE and UIF at the financial year end

Pension and Medical Aid Deductions

Amount paid - current year	2 553 604	3 324 715

R447 124 of Pension and Medical aid were outstanding at as at the financial year end

VAT

VAT receivable	4 818 524	1 332 556

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended   30 June 2018:

Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
First National Bank			2 418 768	-	-	2 418 768	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 418 768	**-**	**-**	**2 418 768**	**-**	**-**
Structured loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Funding facility								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Bonds								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Other loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Lease liability								
ABSA Finance Lease			671 662	(671 662)	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			671 662	**(671 662)**	**-**	**-**	**-**	**-**
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			2 418 768	-	-	2 418 768	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			671 662	(671 662)	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			3 090 430	**(671 662)**	**-**	**2 418 768**	**-**	**-**